except in Uttar Pradesh where Zonal TACs are functioning one each at Dehradun, Lucknow and Varanasi. The strength of the TAC is dependent on whether it is headed by CGM, PGM, GM or TDM. Normal strength of each TAC has also been prescribed which can be exceeded by 25%. This can be further exceeded under exceptional circumstances. Nominations to the TACs are made by Minister of Communications in the prescribed categories. Hon'ble Members of Parliament are also nominated, by virtue of their office, as members of one or the other Telephone Advisory Committee within their respective constituency or in Circle Telecom Advisory Committee in accordance with their option.

(d) A TAC member is provided with a rent-free temporary residential service telephone connection on out of turn basis for the period of the membership provided there are no outstanding dues against telephones in his/her name. In addition, each TAC member is allowed 1150 free telephone calls bimonthly. Apart from this, members are entitled to draw TA/DA in accordance with the rules in force for attending TAC meeting. A member of TAC may be allowed to retain his/her telephone connection on private account on expiry of his/her tenure if he/she does not have any other telephone in his/her name at any place within the Jurisdiction of the TAC of which he/she was a member.

Finance for Film Industry

*508. Prof. (SHRIMATI) BHARATI RAY : Will the Minister of FINANCE be pleased to state :

(a) whether the Reserve Bank of India has recently announced the lending norms on financing the film Industry;

(b) if so, what are the details thereof; and

(c) since when these guidelines have been implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL) : (a) and (b) Reserve Bank of India (RBI) has issued guidelines for financing Film Production to all commercial Banks on 14-5-2001. A copy of the guidelines is given in the Statement (*See* below).

(c) Most of the banks are in the process of adopting the guidelines for implementation after due approval of their respective Boards. The scheme formulated by RBI is expected to enable extension of low cost institutionalized credit to the Film Industry.

Statement

RBI Guidelines for financing film production

(Valid for Banks)

Introduction

1.1 Film production constitutes the most important part of film Industry, Film production involves development of story, screenplay dialogue, etc., music recording, film shooting, lab processing and post production activities such as editing, dubbing, re-recording, mixing, taking final prints, obtaining censor clearance and release of prints for distribution. Under the existing financing practices followed in the industry the producers normally bring in about 25 per cent of the cost of production of a film and, the balance 75 per cent is met by way of advance payments from distributors and finance from private financiers. A peculiar feature of film production is that the producer recovers the entire cost of production of a film before/at the time of release of the film through sale of distribution rights to the distributors (normally distributors pay upto 40 per cent of the agreed amount when the film is under production and the balance at the time of the release of the film).

1.2 Given the need for institutional finance for film production, the broad guidelines for financing this activity are enumerated in the following paragraphs.

2. *Eligibility*

- Banks may provide finance to film producers (corporate as well as non-corporate entities) with good track record in the relative field.
- Banks may also provide finance to these entities for production of films in participation with the National Film Development Corporation (please *See* item 4).

3. *Direct Finance for Film Production*

3.1 *Criteria for financing*

- Banks may obtain from the producers a detailed budget for each film, clearly indicating the entire cost estimates for the film and the means of financing the same.
- Ordinarily producers are required to bring in at least 25 per cent of the project cost as promoters' contribution. Producers are also required to

tie up the advances from the Distributors in the usual course as per usual practice (sales advances) to cover 35 per cent to 40 per cent of the budget. **Thus, banks advances could be for the balance requirement of 35 per cent to 40 per cent of the project cost. However, in deserving cases where the banks are quite comfortable with the project as well as the background of the producers, the financing could be increased upto 50 per cent of the project cost on merits.**

- **Banks may provide finance to such of the projects where the total cost of production of a film does not exceed Rs. 10 crore.** The amount sanctioned should be within the overall ceiling of the prudential exposure norms prescribed by RBI from time to time. Banks may also internally prescribe a suitable limit for their overall exposure to the film industry.

- The disbursement of bank loan should ordinarily start only after utilising the promoter's contribution and advance payments from the distributors. There may not, however, be any objection to bank loan being disbursed side by side alongwith payments by distributors on proportionate basis. The arrangements should be firmed up at the commencement of the project. However, in any case, banks may disburse loan only after the promoter has brought in his contribution to the project.

3.2 Period of Loan

The period of loan may be fixed based on the financing banks's assessment of cash generation of the project.

3.3 *Security*

- Banks may obtain the Laboratory Letter conveying rights on the negatives in favour of the lenders.

- The Music Audio/Video rights, CD/DVD/internet rights, Satellite Rights, Channel rights, Export/International Rights, etc. should also be assigned to the banks to serve as main security alongwith the negative rights in the form of lab letter, through appropriate documentation.

- First hypothecation charge on all the tangible movable assets under the project.

- Assignment of all agreements and Intellectual Property Rights (IPRs) in favour of the lenders. Lenders to have right in negotiation of valuation of all IPRs.

- Collaterals, if necessary, may be obtained at the discretion of banks.
- A Trust & Retention Account (TRA) may be maintained for all capital as well as revenue inflows and outflows. Thus, receivables on sale of all IPRs may be credited to TRA. The modalities of TRA may be worked out on case-to-case basis to the satisfaction of the lenders. A No Objection Certificate (NOC) from all concerned parties for the TRA arragement will be required. The lenders will have first charge on the TRA.
- Banks may be look into the legal aspects of the laboratory letter, assignment of music, audio/video rights, etc.

3.4 Insurance

The existing insurance products as acceptable to banks may be obtained from film producers.

3.5 *Follow-up/Monitoring*

Banks should devise appropriate accounting and information/data submission formats for periodic flow of information from the producers. They should also obtain periodical progress reports, cash flow statements, audit reports and such other reports as are considered necessary. Banks may also consider appointing specialised agencies for monitoring the timely shooting/processing of the film and assessing the reasonableness of the expenditure.

3.6 *Risk factors*

Production completion risk is one of the major risks in any film production. To mitigate this risk, it would be necessary for banks to carefully appraise the projects having due regard to the track record of the producers as also the distributors. If necessary, banks may also engage industry specialists/ consultants for evaluation of proposals. Insurance of risks, key personnel, etc. needs to be organised. Pending development of appropriate risk insurance products, the existing products such as equipment insurance, key personnel insurance, etc. could be availed of.

4. **Finance through NFDC/ to NFDC**

4.1 The National Film Development Corporation Ltd. (NFDC) is a specialised agency set up by Government of India for promoting quality cinema. NFDC produces, co-produces and finances films, particularly small budget films. Over the years, it has provided a wide range of services essential for the integrated growth of Indian cinema. Considering that appraisal of film projects requires special skills (which all banks may not be equipped with, at least in the initial

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years), banks, at the request of NFDC, may also consider extending credit for production of films in participation with NFDC. This would be an additional channel for extending credit to the film industry. The detailed modalities in this regard (including security cover) may be worked out mutually by banks and NFDC.

4.2 Banks may also consider providing reasonable credit facility to NFDC taking into account usual safeguards observed while taking credit exposure.

Central India Pipeline Project

*509. SHRI SOLIPETA RAMACHANDRA REDDY : Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state :

(a) the details of the Central India pipeline planned for evacuation of petroleum products from refineries in Gujarat to feed the various consumption zones in the Central India; and

(b) in what manner the projects would be financed and the target for commissioning the pipeline ?

THE MINISTER OF PETROLEUM AND NATURAL GAS (SHRI RAM NAIK) : (a) Petronet India Limited through its joint venture company, Petronet Central India Limited, propose to lay a pipeline for evacuation of petroleum products of Jamnagar refinery of Reliance Petroleum Limited, Vadinar Refinery of Essar Oil Limited and Vadodara Refinery of Indian Oil Corporation to feed various consumption zones in Central India. Phase-I would include 1,458 km. long pipeline and would cover Sikka/Vadinar-Rajkot-Koyali-Ratlam-Kota-Indore-Itarsi-Nagpur.

(b) The Central India Pipeline Project envisages financing arrangement on Build, Own, Operate and Transfer (BOOT) basis. The proposed target date for completion of phase-I of the project is December, 2003.

Facilities to foreign investors

*510. SHRI C.O. POULOSE : Will the Minister of COMMERCE AND INDUSTRY be pleased to state :

(a) whether the comfort level for foreign investors have been raised to the highest level to attract foreign investors; and

(b) if so, the various facilities that are being provided to foreign investors, sector-wise ?